CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 15, 2005

Maritime Administration Enhancement Act of 2005

As ordered reported by the Senate Committee on Commerce, Science, and Transportation on July 21, 2005

SUMMARY

The Maritime Administration Enhancement Act would amend various laws governing the activities of the Maritime Administration (MARAD), authorize appropriations for a new program to assist small shipyards and maritime communities, and increase support for state maritime academies. Assuming appropriation of the authorized or necessary amounts, implementing the bill would result in discretionary spending totaling $104 million over the 2006-2010 period, CBO estimates.

In addition, several provisions of the bill would allow MARAD to spend, without further appropriation action, certain collections from regulatory fees and legal damages. CBO estimates that enacting these provisions would increase direct spending by about $5 million over the 2006-2010 period and by $10 million over the 2006-2015 period.

Finally, the bill would exempt MARAD from paying ad valorem taxes on certain materials and repairs for vessels operated as part of the National Defense Reserve Fleet (NDRF) under wartime conditions, thereby reducing federal revenues by an estimated $1 million over the 2006-2010 period and by $2 million over the 2006-2015 period. (The costs of NDRF operations would be reduced by similar amounts, assuming a corresponding reduction in future appropriations.)

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA); any costs to state and local governments would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of the legislation are summarized in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars				
	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Additional MARAD Spending for State Maritime Academies					
Estimated Authorization Level	1	2	4	4	4
Estimated Outlays	1	2	4	4	4
Small Shipyard and Maritime Community Grants					
Authorization Level	30	30	30	30	30
Estimated Outlays	3	12	20	25	30
Reduced Spending for Ad Valorem Duties on Foreign Materials and Repairs					
Estimated Authorization Level	*	*	*	*	*
Estimated Outlays	*	*	*	*	*
Total Additional MARAD Spending					
Estimated Authorization Level	31	32	34	34	34
Estimated Outlays	4	14	24	29	34
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
CHANGES IN REVENUES[a]					
Estimated Revenues from Ad Valorem Duties	*	*	*	*	*

NOTE: * = between -$500,000 and $500,000.

a. Enacting the bill would also change the classification of about $1 million a year in revenues by directing that those collections be recorded in the budget as an offset to spending. Following scorekeeping rule 13, such reclassifications in legislation are not counted for purposes of Congressional scorekeeping.

BASIS OF ESTIMATE

Spending Subject to Appropriation

For this estimate, CBO assumes that the amounts authorized or estimated to be necessary will be appropriated for each year. Estimated outlays are based on historical spending patterns for existing or similar programs.

Section 112 would expand financial assistance to state maritime academies, subject to the availability of appropriations. Specifically, this section would increase annual direct payments to the six academies from the existing statutory level of $200,000 each to $300,000 in 2006, $400,000 in 2007, and $500,000 for each year thereafter. This section also would direct MARAD to pay up to $100,000 in 2006, $200,000 in 2007, and $300,000 a year thereafter for the costs of fuel to operate state training vessels. CBO estimates that providing the higher annual payments to state academies and reimbursing them for fuel costs would require additional appropriations that would grow to $4 million annually by 2008. (MARAD received $1.2 million for direct payments to state maritime academies in fiscal year 2005. No amounts were appropriated for that year for fuel reimbursements. MARAD's full-year appropriation for 2006 has not yet been enacted.)

Section 114 would authorize the appropriation of $30 million for each of fiscal years 2006-2010 for a new program to support small shipyards and maritime communities. Under this program, MARAD would pay state and local governments to make grants, loans, and loan guarantees to small shipyards for capital improvements and to establish maritime training programs in communities whose economies are linked to the maritime industry. Assuming appropriation of the authorized amounts, CBO estimates that implementing this program would cost MARAD about $3 million in 2006 and $90 million over the 2006-2010 period. We estimate that the remaining $60 million authorized by the bill would be spent after 2010.

Other provisions of the bill would have no significant effect on the federal budget.

Direct Spending

The legislation would provide about $1 million of new budget authority for MARAD each year by allowing the agency to spend without further appropriation certain amounts that are currently deposited in the U.S. Treasury as revenues. Section 109 would allow MARAD to spend payments for damages received for accidents that involve vessels that it owns or manages. Based on recent judgments and settlements for damages collected as a result of such incidents, CBO estimates that this new authority would increase direct spending by an average of $500,000 a year. Also, sections 107 and 108 would authorize the agency to spend up to a total of $500,000 a year from certain administrative and regulatory fees, thereby increasing annual direct spending by a like amount.

The bill also would change the budgetary classification of those administrative and regulatory fees. Such collections are currently considered revenues but under the legislation would become offsetting receipts (an offset to direct spending). The resulting decrease in revenues and corresponding decrease in outlays are not counted for purposes of

Congressional consideration, however, pursuant to scorekeeping rule 13, which states that reclassifications are not counted for purposes of enforcing the budget resolution (see House Report 105-217, the conference report on the Balanced Budget Act of 1997, page 1011).

Revenues

Section 106 would exempt MARAD from paying ad valorem duties on certain materials imported from foreign countries and on repairs made in foreign ports for vessels operated as part of the NDRF during wartime. CBO estimates that this provision would reduce revenues by less than $500,000 in 2006, by $1 million over the 2006-2010 period, and by $2 million through 2015. This provision also would result in like reductions in discretionary spending, assuming that MARAD's annual appropriations would be adjusted to reflect the savings in NDRF operating costs.

By changing the budgetary classification of certain administrative and regulatory fees from revenues to offsetting receipts, enacting the bill would reduce revenues by about $500,000 a year over the 2006-2015 period. But, as noted above, such reclassifications are not counted for Congressional scorekeeping purposes.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The legislation contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would increase the authorization of appropriations for maritime academies in six states and establish a new grant program to assist state and local governments in supporting small shipyards and maritime communities within their states. Any costs to state and local governments for participating in those programs would be incurred voluntarily.

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